

Federal Highway Administration  
**Every Day Counts**  
Innovation Initiative



## Functional Replacement Questions and Answers

### **W**hat is “functional replacement”?

Functional replacement allows for payment of the cost to erect a structure of similar function on a replacement site. When publicly owned and used land and facilities, such as fire stations or police departments, are needed for a highway project, the acquiring agency may functionally replace the property in lieu of providing compensation. The intent is that the replacement property will provide equivalent utility as the acquired property.

### **Is the use of functional replacement mandatory for the acquiring agency?**

It is an option for the acquiring agency.

### **Is functional replacement used solely at the discretion of the acquiring agency?**

Functional replacement is an option for the public agency. The public agency may opt to receive just compensation and relocation assistance.

### **Are there limits on the costs that may be eligible under functional replacement?**

Yes. The acquiring agency may participate in costs necessary to replace the functions of the acquired property, but the costs must have been actually incurred and not include betterments or increases in capacity.

### **Does the option of functional replacement apply to any publicly owned property?**

No. The property must be in public ownership and use at the time of acquisition, and the public ownership and use must continue with the replacement property. Functional replacement is not allowable when a railroad or a utility owns the property.

### **Is it necessary for FHWA to concur with a proposed functional replacement?**

Yes. FHWA concurrence is required per 23 CFR 710.509(b)(5).

### **How can the use of functional replacement expedite the time required to get a project to the construction phase?**

Since functional replacement allows for payment of the costs to erect a structure of similar function on a replacement site, the affected agency will likely have more replacement site options, thus expediting their decision on a replacement site. Also, the acquiring agency may request a right-of-entry to allow construction to proceed as soon as the publicly-owned agency starts its move to the replacement site.

### **More Information**

For more information about functional replacement or other types of flexibilities in ROW, visit FHWA’s Every Day Counts website ([www.fhwa.dot.gov/everydaycounts/projects/toolkit/row.cfm](http://www.fhwa.dot.gov/everydaycounts/projects/toolkit/row.cfm)) or contact Virginia Tsu, FHWA Office of Real Estate Services, at (202) 366-2042 or [virginia.tsu@dot.gov](mailto:virginia.tsu@dot.gov).